

VZCZCXRO8324
PP RUEHMA RUEHPA
DE RUEHUJA #2365/01 3391129
ZNR UUUUU ZZH
P 041129Z DEC 08
FM AMEMBASSY ABUJA
TO RUEHC/SECSTATE WASHDC 4621
INFO RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEHOS/AMCONSUL LAGOS 0388
RUEHZK/ECOWAS COLLECTIVE
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS SECTION 01 OF 03 ABUJA 002365

SIPDIS

DEPARTMENT PASS TO USTR AGAMA
TREASURY FOR PETERS, IERONIMO, HALL
DOC FOR 3317/ITA/OA/KBURRESS
DOC FOR 3130/USFC/OIO/ANESA/DHARRIS

E.O. 12958: N/A

TAGS: [EFIN](#) [ECON](#) [EINV](#) [EPET](#) [ENRG](#) [PGOV](#) [NI](#)

SUBJECT: NIGERIA: PRESIDENT YAR'ADUA PRESENTS THE 2009 BUDGET

REF: A. ABUJA 2225

[1](#)B. ABUJA 882

[1](#)C. 07 ABUJA 2417

[1](#)D. 07 ABUJA 2227

[1](#)E. 07 ABUJA 1907

[1](#)F. 07 ABUJA 1793

[1](#)1. (U) Summary. President Umaru Musa Yar'Adau presented the 2.87 trillion naira (\$24.53 billion), budget for calendar year 2009 to a joint session of the National Assembly on December 2, 2008. The 2009 budget is a slight increase from the final 2008 budget of 2.7 trillion naira (\$23 billion) reported in reftel A. It focuses on five critical issues: infrastructure, human capital development, land reform, security and the Niger Delta. Notably the proposed budget sets crude oil production at 2.292 million barrels per day (mbpd) (a reduction from 2.45 mbpd in 2008 budget), a benchmark price of \$45 per barrel (down from \$59 in the 2008 budget), and will result in a fiscal deficit of 1.09 trillion naira (\$9.3 billion) representing 3.59% of the GDP. The 2009 budget prioritizes the completion of ongoing projects, rather than starting new ones. The President's goal is to reduce poverty and achieve Nigeria's Millennium Development Goals by concentrating on his Seven Point Agenda. The following information on the budget is based on the President's speech. Copies of the budget have not yet been released and when they are, the Mission will provide an update by septel. Past experience has demonstrated the road to budget passage has been long and treacherous and decreasing revenues may lead to increased tensions. End summary.

Budget 2009

[1](#)2. On December 2, 2008, President Yar'Adua presented the 2.87 trillion naira (\$24.53 billion) budget to the National Assembly for [1](#)2009. The 2009 budget consists of statutory transfers (140.7 billion naira = \$1.20 billion); debt service (283.6 billion naira = \$2.42 billion); recurrent expenditure (1.649 trillion naira = \$14.09 billion); and capital expenditure (796.7 billion naira = \$6.81 billion).

[1](#)3. The 2009 budget espouses the following key assumptions:

- Oil production at 2.292 million barrels per day;
- Benchmark price of crude oil at \$45 per barrel;
- Joint venture cash call at \$5 billion;
- GDP growth at 8.9%;
- Inflation at 8.2%.

Fiscal Balance

[1](#)4. A deficit of 1.09 trillion naira (\$9.3 billion) representing 3.59% of GDP is expected. According to the President, the deficit will be financed from the following sources: outstanding signature

bonuses from oil blocks sold in prior bid rounds; recall of \$200 million from the Nigerian Trust Fund of the African Development Bank; domestic borrowing; \$500 million bond issue from the international financial markets; privatization proceeds; and unspent funds from the 2008 budget. The fall in the international crude oil price is the main cause of the budget deficit.

Priority Projects

¶5. The following seven paragraphs list the key projects that will be funded by the 2009 budget. These are President Yar'Adua's priorities in power, petroleum resources, public works, transportation, health, agriculture/water resources and Niger Delta development.

¶6. Power Sector: 3.5 billion naira (\$29.9 million) for the Mambilla hydro power generation project; 21.5 billion naira (\$183.76 million) for other power generation projects; 32 billion naira (\$251 million) for transmission projects; and 19.25 billion naira (\$151 million) for distribution projects.

¶7. Petroleum Resources: 903.9 million naira (\$7.1 million) for the Trans-Sahara Gas Pipeline; 6.7 billion naira (\$52 million) for the Calabar-Umuahia-Ajaokuta Gas Pipeline; 10.3 billion naira (\$81 million) for the Ajaokuta-Abuja-Kano pipeline; and 1.1 billion naira (8.6 million) for the Gas Supply Pipeline to Power Holding Company of Nigeria Delta IV;

¶8. Public Works: 10.7 billion naira (\$84.2 million) for roads to access refineries and ports; 56.86 billion naira (\$ 447 million) for highway construction and repairs; 4.3 billion naira (\$36.7 million)

ABUJA 00002365 002 OF 003

for the construction of the second Niger bridge; and 3.6 billion naira (\$28.3 million) for the Guto/Bagana bridge.

¶9. Transportation: 12.4 billion naira (\$105.9 million) to complete the rail line from Ajaokuta to Warri port; 8.3 billion naira (\$65.3 million) for modernization of railway equipment; and 8.4 billion naira (\$71.8 million) for dredging of the lower Niger River.

¶10. Health: 6.5 billion naira (\$54.7 million) for HIV/AIDS; 3 billion naira (\$25.6 million) for midwife services; 7.7 billion naira (\$65.8 million) for maternal and child healthcare; and 6 billion naira (\$51.2 million) for polio eradication.

¶11. Agriculture and Water Resources: 4.6 billion naira (\$39.3 million) for infrastructure development for livestock production; 6.5 billion naira (\$55.5 million) for tractor services; 15 billion naira (\$118.1 million) for fertilizer supply; and 11.6 billion naira (\$91.3 million) for water supply and sanitation.

¶12. Niger Delta Development: 28.4 billion naira (\$223.6 million) for the east-west road project; 92.8 million naira (\$730,708) to improve and sustain the environment; and 18 million naira (\$141,732) to establish skills acquisition centers.

Special Projects

¶13. President Yar'Adua announced that in 2009 the Nigerian Police will invest 5.738 billion naira (\$49.04 million) in community policing in Lagos, Abuja, Port Harcourt, Kano, Onitsha, and Maiduguri, with the target of reducing crime by 40% in one year. He also reported that the Ministry of Interior will spend 1.8 billion naira (\$15.38 million) to improve prison infrastructure.

¶14. In a bid to improve power generation and achieve a 6,000 megawatts electric supply target by the end of 2009, the Nigerian National Petroleum Corporation's ability would be enhanced to supply 1.2 billion square cubic feet of natural gas.

¶15. In the health sector, the President said that tertiary hospitals in Calabar, Awka, and Ile Ife will be completed, while other hospitals in various parts of the country will also be

refurbished and equipped.

¶16. In the Federal Capital Territory, Abuja, the following projects will be implemented: 11.3 billion naira (\$96.58 million) for the completion of the Ministry of Foreign Affairs Headquarters; 5.1 billion naira (\$43.59 million) for the construction of water plants; 10 billion naira (\$85.47 million) for road construction; 3.5 billion naira (\$29.91 million) for the Abuja Technology Village project; and 11 billion naira (\$94.02 million) for the Abuja metro rail project.

Policy Measures

¶17. In light of the current global financial crisis and declining revenues, the Government of Nigeria (GON) decided to take measures to increase efficiency in public expenditure management such as: freezing recurrent expenditure at 2008 levels; suspending acquisitions of new vehicles; suspending construction and furnishing of new office buildings; reducing by 50% funds for foreign training and travels; and a 20% reduction in government travel within Nigeria. Concomitantly, information technology platforms will be installed in all ministries, departments, and agencies (MDAs) to monitor salary administration in order to eliminate ghost workers. Also to combat fraud, payment for MDAs goods and services will be done electronically.

Better Late than Never

¶18. Comment: The President postponed budget presentation on three different occasions due to further consultations with the legislative branch. The GON says these delays were to ensure smooth and timely passage of the budget because the drop in crude oil price posed a dilemma in setting the parameters for the 2009 budget. Based on oil production problems in 2008 and 2007 within the Niger Delta region the oil production target seems ambitious.

¶19. In addition, the \$45 crude oil benchmark price may be high because of international downward trends in the price. If the international price continues to fall then there will be significant revenue shortfalls for the GON.

ABUJA 00002365 003 OF 003

¶20. Another likely problem could be the slow passage of the budget by the legislature. As seen in 2008 budget process, the executive and legislative branch went back and forth many times until a compromise was reached. With the potential for less revenue to be shared this year, there could be extended discussion and delays before we see a final 2009 budget. End Comment.

¶21. (U) This message was coordinated with ConGen Lagos.

SANDERS